BC TRANSPORTATION FINANCING AUTHORITY

2000/01 Performance Plan

BCTFA
BC Transportation Financing Authority

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Table of Contents

Message from the Minister 1

Message from the President and C.E.O. 2

Purpose 3

Organization 3

Mandate 4

Opportunities and Challenges 4

Strategic Goals 5

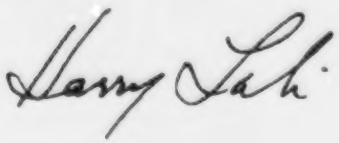
Objectives and Performance Measures 6
- Accelerating Capital 6
- Improving Mobility 6
- Maintaining Mobility and Supporting Economic Development – North & Interior 7
- Supporting Regional Growth Management 8
- Improving Safety 10
- Increasing Cost Sharing 10
- Increasing Cost Effectiveness 11
- Economic and Employment Benefits 11
- Training and Employment for Individuals from Traditionally Under-represented Groups 12

2000-01 Financial Plan 13
- Capital Plan 13
- Operating Budget 14

Conclusion 16

MESSAGE FROM THE MINISTER

I am pleased to release the first Performance Plan for the BC Transportation Financing Authority for the period April 1, 2000 to March 31, 2001, in accordance with the *Budget Transparency and Accountability Act*.



Harry S. Lali

Minister of Transportation and Highways
Minister responsible for the BC Transportation Financing Authority

MESSAGE FROM THE PRESIDENT AND CEO

I am pleased to present the first annual performance plan of the BC Transportation Financing Authority.

The BCTFA was created by the *Build B.C. Act* in 1993 to develop and maintain a comprehensive provincial transportation strategy, prioritize investments in the provincial highway system, ensure cost-effective project delivery, promote innovative financing of highway infrastructure and increase the social and economic benefits of highway capital investment.

The principles of prudent fiscal management and diligent project monitoring are at the core of the mandate of the BCTFA. For a number of years, we have promoted improved accountability, multiple account evaluation of business cases and better performance measurement. This means that the Authority is well positioned to respond to the requirements of the new *Budget Transparency and Accountability Act*.

On behalf of the Board and staff of the BCTFA, I welcome this opportunity to outline our performance plan for the upcoming fiscal year.

Blair Redlin

President and CEO
BC Transportation Financing Authority

BC TRANSPORTATION FINANCING AUTHORITY
2000/01 Performance Plan

Purpose

The BC Transportation Financing Authority (BCTFA) was established in 1993 under the *Build BC Act* as a provincial Crown corporation. The *Act* states that the purpose of the BCTFA is to "plan, acquire, construct, hold or cause to be constructed or improved, transportation infrastructure throughout British Columbia and to do such other things as the Lieutenant Governor in Council may authorize." The BCTFA develops and maintains a provincial transportation strategy, promotes cost-effective delivery and innovative financing of highway infrastructure, and increases the economic and social benefits derived from investments in transportation infrastructure.

Organization

The BCTFA is governed by a Board of Directors chaired by the Honourable Harry Lali, Minister of Transportation and Highways and Minister responsible for the BC Transportation Financing Authority. Other Board members are:

- Honourable Dan Miller, Minister of Energy and Mines and Minister responsible for Northern Development;
- Honourable Corky Evans, Minister of Agriculture, Food and Fisheries and Minister responsible for Rural Development;
- Honourable Jenny Kwan, Minister of Community Development, Cooperatives and Volunteers, and
- Gerard Janssen, MLA - Alberni

The Board members are appointed by the Lieutenant Governor in Council.

The business of the BCTFA is divided among four operating units, overseen by executive staff who report to the President and CEO:

- The **Program Development and Monitoring Division** has overall responsibility for developing the Capital Plan and ensuring its timely delivery within approved scope and budget.
- The **Project Development and Implementation Division** develops and delivers transportation projects that involve partnerships and cost-sharing agreements with external parties.
- The **Communications Branch** provides communications services and advice.

- The **Management Services Division** administers grant programs, manages the land portfolio and provides management services.

The CEO is appointed by the Lieutenant Governor in Council. Employees are covered by the *Public Service Act*.

The BCTFA also has a wholly owned subsidiary, Highway Constructors Ltd. (HCL), which employs the labour force for designated transportation construction projects and provides training and employment opportunities for individuals from groups traditionally under-represented in the transportation construction industry.

Since March 1999, the BCTFA has been the owner of all provincial highways and land held for future highways. The Ministry of Transportation and Highways (MoTH) has responsibility for the administration, operation and control of provincial highways. This separation of owner and operator roles serves to ensure that the owner of provincial highway assets, the BCTFA, can establish a capital plan, and budget for and monitor investments under the plan in a prudent manner. The operational, regulatory and system design functions of the highway network remain the responsibility of the Ministry of Transportation and Highways.

Mandate

The BC Transportation Financing Authority is committed to maximizing the financial, social and economic benefits of the province's highway and other transportation investments through:

- Increasing the share of investment costs borne by specific user groups and other beneficiaries, relative to the share borne by provincial taxpayers.
- Planning comprehensive long-term highway investments.
- Finding cost-effective and innovative means of solving transportation problems using best practices.
- Investing in transportation initiatives that bring economic and employment benefits.
- Supporting economic development throughout the province through creation of employment opportunities for local workers and individuals from groups traditionally under-represented in the transportation construction industry.

Opportunities and Challenges

British Columbia has a well-developed transportation system. However, the performance of the system is being challenged by:

- An aging infrastructure with many sections needing repair, replacement or expansion.

- A growing population that is creating new demands for transportation and contributing to traffic congestion in areas such as the Lower Mainland.
- Growing urban sprawl, leading to a reinforced dependence on the automobile and to deteriorating air quality.
- International competition for movement of goods that is changing trading and shipping patterns.
- Financial constraints that require new and innovative ways to fund transportation investments.

Strategic Goals

Since its creation in 1993, the BCTFA has developed a project monitoring process that has kept highway capital investments within approved scopes and budgets and ensured that any changes to the approved budgets or scopes are justified and relevant to the overall goals of the highway capital plan.

The BCTFA has established nine strategic goals for the 2000/01 fiscal year:

1. Accelerating capital investments that support local and regional economies which are recovering from the downturn in the resource industries.
2. Improving people and goods mobility in rapidly growing urban areas and along strategic corridors.
3. Maintaining mobility and facilitating economic development in the North and Interior.
4. Supporting regional growth management strategies and encouraging the use of alternative transportation modes by urban commuters.
5. Improving the safety of highways by upgrading intersections, improving curves and grades and increasing the availability of safe passing opportunities throughout the province.
6. Increasing the share of costs borne by users and other beneficiaries of new or improved highways, relative to the share borne by provincial taxpayers.
7. Finding more cost-effective means of solving transportation problems by establishing public-private partnerships, improved traffic management to defer the need for capital expenditures and ensuring maximum benefits are achieved from all projects.
8. Supporting employment-creating developments by financing transportation facilities on a recoverable basis.
9. Supporting employment equity by creating training and employment opportunities for individuals from traditionally disadvantaged groups, and increasing local content in highway construction projects using the Highway Constructors Ltd. model.

Objectives and Performance Measures

The BC Transportation Financing Authority has developed a number of specific objectives for 2000/01 to meet its strategic goals.

Achievement of objectives will be monitored through performance measures such as strengthening project reporting, comparing actual expenditures to approved budgets, enforcing adherence to project schedules and assessing the effectiveness of capital investments and programs. In particular, the BCTFA has initiated a performance audit program to evaluate the actual performance and benefits against the anticipated performance and benefits of selected projects.

The BCTFA is working closely with the Ministry of Transportation and Highways to develop a more comprehensive set of performance measures for the provincial highway system as a whole.

Accelerating Capital

The BCTFA will provide additional capital resources during the 2000/01 fiscal year to complete the Vancouver Island Highway Project and bring forward significant projects on the Trans Canada Highway, such as major construction from Cache Creek to the Height of the Rockies, and in the North and the Interior.

Emphasis will also be placed on offsetting ongoing deterioration of highway infrastructure and reducing the current level of deficiencies throughout the province.

Performance of accelerated capital investments will be measured through monitoring of the actual project expenditures and schedule milestones as set out in project funding agreements that are established for each project. The BCTFA monitors project expenditures to minimize annual carry over.

Performance of rehabilitation investments will be based on annual reporting that reflects actual preservation and replacement against goals targeted in the approved rehabilitation plan.

Improving Mobility

Maintaining mobility is a priority throughout the province. Traffic flow improvements are in various stages of planning, design and implementation for major corridors throughout the province. Funding for 2000/01 includes:

- $44 million to complete the $99.8 million rehabilitation of the Lions Gate Bridge on Highway 99.

- $15.54 million toward the $40 million partnership with the Vancouver Airport Authority to improve access to the Vancouver International Airport through construction of the Sea Island connector. Under the partnership the BCTFA is investing $30 million and the Airport Authority $10 million.
- $33 million toward the $74 million project to add a 5th lane eastbound on the Port Mann Bridge for high occupancy vehicles and improve the Cape Horn Interchange.
- $5.6 million to initiate a pilot project component for the $20.5 million Traffic Management Program for the Highway 1 corridor in the Lower Mainland.
- $25.5 million for this year's series of improvements to Highway 1 from Cache Creek to the Rockies.
- $1.3 million for continuing design of the Okanagan Lake Bridge project on Highway 97.
- $7.74 million that will go toward a $14.5 million upgrade for Highway 37 in Northern B.C.
- $5.7 million for the $41 million Nisga'a Highway.
- Improvements will also take place on major corridors throughout the province.

The implementation of these objectives will be monitored to allow measurement of their performance in terms of advancement of projects against their schedules and the proportion of projects completed on schedule and on budget. As well, audits will be conducted to determine the effect on highway mobility in the project area.

Maintaining Mobility and Supporting Economic Development - North & Interior

Based on what communities across the province have said they need, through regional summits and other dialogues, key goals of the government's highway investment plan include supporting local economic development, providing safe efficient transportation infrastructure, and investing in highway initiatives that create local jobs. A significant portion of the BCTFA's capital investments are specific initiatives that respond to the diverse needs of the northern and interior regions of the province, including:

- The Northern Roads Initiative, whereby nearly $110 million will help protect the northern highway system and boost resource-sector transport. Key elements of the 2000/01 capital plan for northern B.C. include:
    - $44.5 million to preserve and replace roads and bridges as part of the Northern Roads Initiative.

- $20 million to finance improvements under the province's Oil and Gas Initiative 2 (OGI2), which is a program to invest $103 million over five years in public roads and highways used by the oil and gas industry in northeastern B.C. OGI2 investments are approved based on specific criteria including their contribution to incremental provincial revenue in the form of land sales, royalties and provincial sales tax.
- $18.6 million for improvements on the Nisga'a Highway and Highway 37 in northwestern B.C. as noted above.
- $23 million to complete projects like Prince George's John Hart Bridge. The application of the HCL model to this project and the Nisga'a Highway project assures local jobs and procurement.

- Capital investments in the Kootenays of more than $54 million this fiscal year. Key elements include:
  - $22 million to preserve and replace roads and bridges across the region, including resurfacing and bridge rehabilitation.
  - $6.6 million for major highway improvements in the Kootenays.
  - $6.4 million this year for the $22.7 million Kootenay Lake Ferry project, which will be in operation by Summer.
  - $14 million for ongoing improvements to the Trans Canada Highway in the Golden – Revelstoke area.

- The balance of the capital plan for the interior region of the province going to minor capital improvements and projects that support economic development.

Performance of investments specifically targeted to mobility and economic development goals for the North and Interior regions will be measured through:

- Determining incremental provincial revenues as a result of OGI2 investments.
- Monitoring projects to ensure that specific objectives are completed within the timeframes and budgets specified in project funding agreements.

Supporting Regional Growth Management

The BCTFA will continue to strive to coordinate its long-range transportation plans with long-range land-use plans and Regional Growth Management Strategies in the province's high growth regions, such as Greater Vancouver, the Sea-to-Sky corridor, the Fraser Valley, the Capital Region and the Okanagan Valley.

The BCTFA will also continue to encourage improvements to local alternative transportation and road networks through its grant programs. This year, nearly

$14 million will be invested in 84 communities throughout the province. The grants support both alternative transportation projects (including transit priority and high occupancy vehicle lane measures, cycling networks and local airport upgrades), as well as improvements to local road networks.

Program funding for 2000/01 has been allocated as follows:

- Cycling Network Program – $1.73 million to 27 communities for cycling projects to be cost-shared 50/50 with municipalities. A few examples include cycling projects in Saanich, Victoria, Kamloops, Squamish, Nelson, Chilliwack, Abbotsford, Salmon Arm, North Vancouver, Enderby and Delta.
- Air Transport Assistance Program – $950,000 to 12 communities for airport improvements.
- HOV/Transit Priority Program – $1 million to eight communities in the Lower Mainland for cost-shared HOV and transit measures such as the $1.6 million project that will create 2.5 kilometres of north and south HOV and bus lanes on Willingdon Avenue in Burnaby.
- Regional Road Program – $4 million to the Corporation of Delta and the City of Surrey for a cost-shared, $16 million project to extend Nordel Way. While the road is not operated by the province, the improvement offers significant benefit to the provincial highway network.
- Newly Incorporated Territories Program – $2.65 million in grants to eight communities with new or expanded boundaries, for projects to be cost shared 75/25 with municipalities.
- Trans Canada Trail – $5 million ($3.5 million in 2000/01) toward community grants that will develop the Trans Canada Trail, a millennium project connecting 1,750 kilometres of recreational trail across Canada, which will spur local tourism opportunities.

Compliance with grant agreements for projects under the Cycling Network and Air Transport Assistance Programs will be audited on a sample basis in 2000/01.

A recent independent review concluded that the Cycling Network Program is an effective catalyst for the development of cycling networks across the province, with more communities participating in the program each year. The BCTFA has initiated a process with communities to measure the performance of the program's investments by conducting usage surveys.

The Newly Incorporated Territories Program fulfils outstanding provincial obligations to 21 municipalities that have applied for funding under the previous provincial incorporation assistance program that assisted municipalities with road improvements when they expanded or incorporated new territory. Projects are approved against a preset list of potential road improvements developed under the former program.

Improving Safety

BCTFA will continue to provide funding to improve intersections, curves and grades, and to increase safe passing opportunities throughout British Columbia. It will also fund an ongoing program of seismic upgrading in earthquake prone areas, with emphasis on structures that are part of emergency response routes.

The success of these strategies will be measured, on a sample basis, against performance criteria established for selected projects. The proportion of projects completed this fiscal year as scheduled and on budget will also serve as a performance measure.

Increasing Cost-Sharing

In an effort to minimize costs to British Columbia's taxpayers, BCTFA will strive to increase the share of transportation infrastructure costs borne by the users and other beneficiaries of new and improved highways, relative to the costs borne by provincial taxpayers. To do this, the BCTFA will negotiate cost-sharing or cost-recovery agreements for specific projects with other levels of government and the private sector where appropriate and feasible. This will be done where significant and identifiable benefits exist for potential partners.

The BCTFA is also investigating cost recovery mechanisms, such as tolls, for capacity expansion projects. As well, BCTFA will reduce the costs of its land acquisitions by recovering value from land not in immediate use, through the sale or rental of surplus lands. It will also continue to collaborate with ICBC to cost-share safety improvement projects, as it has done for the Mt. Lehman project in Abbotsford, where the BCTFA, the City of Abbotsford, ICBC and a private developer have formed a partnership that will see a new interchange built at the junction of Mt. Lehman Road and Highway 1 to address safety and reduce congestion. The provincial share of the $22 million interchange will be funded entirely through the disposition of land valued at $12.9 million and without any cash from the capital plan.

Overall performance of this strategy will be measured by indicators such as employment creation, actual production or commercial activity, financial results compared to forecasted project projections and amount of infrastructure realized relative to the amount of BCTFA funding commitment.

Increasing Cost-Effectiveness

The BCTFA will continue to consider and evaluate a wide range of financing options. It will also implement innovative initiatives, such as a Traffic Management Plan for Highway 1 in the Lower Mainland and access management plans for other rapidly growing areas. Such measures make more efficient use of existing facilities thereby deferring the need for new capital investment to expand capacity.

The BCTFA also intends to expand its use of public-private partnership arrangements. Examples of current public-private partnerships include the Mt. Washington Ski Hill and Golden Peaks Resort agreements that provide funding to improve access to ski hills on a fully recoverable basis based on projected ski lift activity; and the Barnes Lake Mine agreement, where upgrading of a five kilometre road to provide improved access to the new basalt mine and asphalt colouring plant near Ashcroft was cost-shared between the developer of the mine facilities and the BCTFA.

The BCTFA will also continue to promote the use of value engineering and value analysis as cost containment measures. For all capital expenditures, BCTFA will conduct cost/benefit analyses and will maximize each project's net benefits through Multiple Account Evaluation framework.

The performance of strategies to increase BCTFA's cost-effectiveness will be measured by assessing the performance of innovative delivery methods and processes in comparison to the performance of traditional approaches, as well as the proportion of capital expenditures itemized by delivery method. All projects will be examined in the light of authorized capital budgets and expenditures, broken down by program.

Economic and Employment Benefits

BCTFA estimates that its Capital Plan will support more than 2,800 direct jobs, with a combined total of about 5,100 direct and indirect jobs in 2000/01. Most of these jobs will be created through acceleration of capital projects.

BCTFA will also continue to pursue recoverable financing opportunities for required transportation infrastructure to stimulate developments that create employment in specific sectors of the economy, such as tourism and mining.

Performance of economic and employment benefits realized on capital investments will be measured by actual capital expenditures being made on time and on budget. Performance of recoverable financing partnerships will be measured by such indicators as actual financial activity of the developments, the number of jobs created and recovery of BCTFA funds.

Training and Employment for Workers from Traditionally Under-represented Groups

BCTFA will apply the Highway Constructors Ltd. (HCL) model to highway improvement projects worth more than $30 million throughout British Columbia, as well as the Skytrain expansion project in the Lower Mainland.

HCL is a subsidiary of the BCTFA created in accordance with the *Build BC Act* and incorporated under the *Company Act* as an agent of the BCTFA through which the corporation can achieve the social and economic objectives of the province.

HCL goals for the 2000/01 fiscal year include supporting regional economic development through local hiring, providing a qualified workforce for clients, and providing employment and training opportunities for individuals traditionally under-represented in the construction industry. HCL will hire at least 90% of project workforces locally and improve opportunities for women, First Nations people, people from visible minorities, persons with disabilities and youth to gain training and jobs in the transportation construction industry.

Capital projects where the HCL model is currently being applied are Highway 1, between Cache Creek and the Alberta border, the John Hart Bridge in Prince George, the Nisga'a Highway project in the Nass Valley, the Port Mann Bridge/Cape Horn and Skytrain Extension projects in the Lower Mainland, and the Vancouver Island Highway project on Vancouver Island.

Construction labour component of project costs by project for 2000/01 are set out in the table below.

PROJECT	**LOCATION**	*(figures in thousands)*
Vancouver Island Highway Project	Highway 17, Vancouver Island	$ 22,000
Lions Gate Bridge & Port Mann Bridge	Lower Mainland	28,950
Nisga'a Highway	Nass Valley	2,000
John Hart Bridge	Prince George	3,900
Highway 1 Trans Canada Highway	Cache Creek to the Rockies	4,000
Sky Train extension	Lower Mainland	58,500
		$119,350

The performance of HCL's local hiring and equity employment strategies will be measured by the number of local HCL hires on a project by project basis, as well as HCL hires from equity groups and the number of hours worked by equity group members as a percentage of the total hours worked for HCL. Performance of equity hiring will also be measured by the per cent of HCL trainees who obtain

ongoing employment in the construction sector. HCL has developed a prototype tracking model to capture this information.

2000/01 Financial Plan

Capital Plan

The province has established a 2000/01 capital expenditure limit of $485.5 million for BCTFA investment in highway projects. This is inclusive of $20 million in funding for the road upgrading component of the province's Oil and Gas Initiative 2.

The completion of long-term projects, including the Vancouver Island Highway and the Lions Gate Bridge projects, and the reduced need for improvements to the performance of major highways will allow BCTFA to fund capital projects with lower overall annual budgets in future years.

Key elements of the 2000/01 capital plan are set out in the table below.

Program Element *(figures in thousands)*	00/01 Budget
Preservation & Replacement	$137,996
Priority Corridors	
VIHP	81,690
Hwy 1: Cache Creek to the Rockies	25,715
Hwy 97: US Border to Hwy 1	1,668
Nisga'a Highway	10,945
Highway 37	7,740
Major Highway Performance Sustaining	52,584
Lower Mainland Congestion Relief	99,127
Minor Capital Improvements	10,000
Economic Development	5,675
Program Development Activity	2,477
Interest During Construction	29,883
Oil and Gas Initiative 2	20,000
Total	$485,500

Operating Budget

BCTFA has established the following principles to ensure financial sustainability of the organization:

- Annual revenue must be sufficient to cover all annual expenditures, such that the net income for the year is zero or greater; and
- The cash flow generated from operations must be sufficient to meet all debt service costs (i.e. sinking fund payments and interest) on debt related to assets in service. This ensures that the BCTFA is not borrowing to cover its operating costs.

A summary of the BCTFA's operating budget for the 2000/01 fiscal year is set out in the following table. Significant changes from the prior year are:

- Additional transfer of dedicated fuel taxes – the amount of dedicated fuel tax revenue transferred to the BCTFA increased by one cent per litre on June 1, 1999 and a further one-quarter cent per litre on April 1, 2000. These funds came from the general pool of provincial fuel tax. Fuel taxes for the public did not increase.
- Completion of capital projects – When projects are completed, the related financing costs become an annual expense of the operating budget rather than "interest during construction" under the capital plan. Amortization also commences when the project is completed. Net financing costs and amortization have increased $24.1 million and $14.4 million respectively over last year. Completed projects are forecast to be $6,259.4 million in 2000/01, up from $5,750.9 million in 1999/00.
- Transfer of highway assets from the Ministry of Transportation and Highways to the BCTFA – In March 1999, the province transferred ownership of highway right-of-way and about 5,000 properties held for future highway construction to the BCTFA. In 2000/01, the BCTFA plans to implement an inventory management program for these assets that will facilitate highway planning and identification of surplus properties and right-of-way that can be marketed. Additional costs of $0.3 million will be financed from revenues earned from the transferred properties, forecast to be $1.4 million. These activities will be undertaken by the BCTFA's Land Management Branch, a self supporting profit centre.
- New and Ongoing Grant Programs – New grant funding for the Trans Canada Trail ($1.5 million) and ongoing programs ($11.5 million, up from $11.1 million last year) is offset by a reduction in grants carried forward from prior years ($2.3 million, down from $8.6 million last year).

(figures in thousands)	Budget 2000/01	1999/00	Change
REVENUES			
Province-wide dedicated taxes	$202,750	$169,667	$ 33,083
Other revenues	4,835	5,300	(465)
	207,585	174,967	32,618
EXPENSES			
Operations and administration	4,790	4,790	-
Contribution to MoTH	18,700	18,700	-
Land Unit	616	333	283
HCL management fee	204	204	-
Grant programs	15,310	19,670	(4,360)
Strategic planning fund	2,000	2,000	-
Net financing costs	106,703	82,573	24,130
Amortization	56,222	41,830	14,392
	204,545	170,100	34,445
NET INCOME FROM OPERATIONS	3,040	4,867	(1,827)
Devolution of roads to municipalities[1]	2,248	-	2,248
NET INCOME (LOSS)	$ 792	$ 4,867	$ (4,075)

[1]A provision has been made for the potential transfer of local roads to municipal governments as the result of incorporation of new municipalities and municipal boundary extensions. If these transfers do not take place, the provision will not be required.

Conclusion

Overall, the BCTFA is well positioned to respond to the requirements of the *Budget Transparency and Accountability Act*. Many of the functions of the organization were established to ensure that capital investment in British Columbia highways takes place according to a best practices approach – one that assures accountability.

The strategic goals of BCTFA capital investments will be measured in terms of the combined transportation, social and economic benefits they achieve. This includes benefits during and after construction.

Specific details of how the outcomes of individual initiatives will be measured against specific performance criteria will be developed on a program and project basis and be elaborated on in next year's performance plan. Regular reporting of the actual results will be included in the BCTFA's annual report.